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China, Peoples Republic of

Hotel, Restaurant and Institutional (HRI) Sector for

East China

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Report Highlights:

China's HRI sector achieved impressive growth of more than 15% in 1998, with total sales reaching USD33.7 Billion. The concomitant effects of a rapidly expanding consumer class and explosive development in the restaurant segment sizzles with opportunities for food traders willing to pursue this market. Shanghai's HRI sector, with a whopping USD1.1 Billion in 1998 revenues, is the nation's trendsetter and primary focus of this report.

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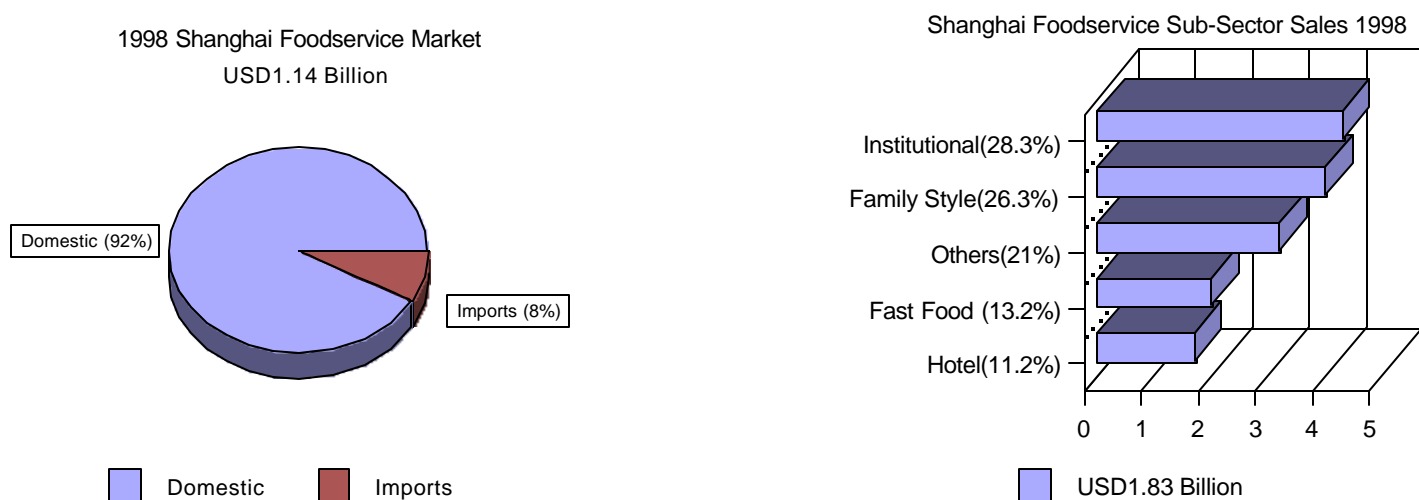
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I. Market Summary

China's Hotel, Restaurant, and Institutional (HRI) sector is one of the most dynamic areas of the economy. The restaurant sub-sector experienced an explosive 15% annual growth in 1998, with total national sales of USD33.7 Billion¹. China's State Administration of Internal Trade projects that 1999 growth will match 1998 figures. The concomitant effects of a rapidly expanding consumer class and massive development in the restaurant sub-sector offers many opportunities for food exporters willing to pursue this market. The restaurant sub-sector in Shanghai, with a whopping USD1.1 billion in 1998 revenues, is the nation's trendsetter. For this reason, the greater area of Shanghai is the primary focus of this report.

From trendy, upscale, fine dining to a quick bite beside a dilapidated dumpling cart, Shanghai's HRI sector literally has it all. As shown below, total HRI industry revenues in Shanghai amounted to USD1.83 billion in 1998, with the restaurant sub-sector accounting for more than 60% of total market share. This sub-sector includes family style restaurants (26.3%), fast-food chains (13.2%), and other types of restaurants (21%), such as dim sum shops, noodle shops, and tea houses. With nearly 50% private ownership, these three segments are the most active and fastest growing parts of Shanghai's food service market. Owing to a workforce of more than 4 million plus 2 million students, the institutional sub-sector follows with a 28.3% market share. However, this sub-sector will likely shrink as unemployment rises due to national restructuring of state-owned enterprises. Hotel food service business has declined as well in recent years due to China's economic slowdown, the Asian financial crisis, and increased competition from the restaurant segment.



As the chart shows above, food inputs for the Shanghai food service industry totaled USD1.14 billion in 1998. The food service market still relies on domestic sourcing for the majority of its needs. However, use of imported food has increased significantly in recent years. It is estimated that imported food currently accounts for approximately 8% of the total food costs and is projected to increase to 15% over the next few years. Hence, there are tremendous

¹ In China, HRI sector figures refer only to stand-alone restaurant sales. Hotel and institutional sales are not included and were unobtainable at the time of reporting, so actual HRI revenues should be much higher.

opportunities for U.S. food products to be used in this ever-growing market.

HRI Market Factors

- Long Culinary Tradition
The Chinese are famous for their rich culinary tradition and gastronomic desires. There is an old saying, “Food is the people’s heaven.” In essence, food culture in China is highly developed, and the broad range of restaurants in major cities catering to every taste stands testament to this saying.
- C Growth in Consumer Income
The Shanghainese annual per capita income has more than doubled in the past five years from USD681 in 1993 to USD1,453 in 1998. Furthermore, Chinese workers typically receive various subsidies and bonuses to supplement their income, which gives them greater spending power.
- C Family Demographics
The average household in Shanghai is comprised of 2.8 members, approximately half of the total over ten years ago. With rising incomes and fewer family members to prepare meals for, Shanghainese are indulging themselves by dining out more often.
- C Western Influence
The modern Shanghainese have become intimately familiar with the United States through television and cinema. Tourism (Overseas tourists visiting Shanghai) has increased from 311,800 in 1980 to 1.5 million in 1998. Furthermore, foreign investment continues to pour into Shanghai, fueling greater exposure to Western management practices and larger paychecks. The overall impact is a growing interest in sampling western food in the trendy new restaurants which dot the city.

Advantages and Challenges Facing U.S. Products in Shanghai

Advantage	Challenges
Popularity of American culture carries over to American food.	Most consumers are still unaware of different varieties of American food.
U.S. fast food and restaurant chains are popular and familiar to Shanghainese consumers and more Chinese restaurants are adopting Western menu items on their traditional menus.	Other foreign-style restaurants are also available in Shanghai, and many countries are vying to penetrate this market. Some imported products have already gained a foothold in the food service sector.
U.S. food products have gained a good reputation for high quality, unique taste and reliable supply.	High cost restricts U.S. food to large luxury hotels and other high-end establishments, putting many products beyond the reach of the general public.
Various channels have been established to import U.S. food products either directly or via Hong Kong.	High tariffs and other barriers still inhibit direct export of many U.S. food products to China.

Encouraged by ATOs in Shanghai and Guangzhou, an increasing number of U.S. food commodity groups are promoting U.S. products in China.

The economic slow-down and the impact of the Asia financial crisis have eroded the premium restaurant market.

II. Road Map for Market Entry

A. Entry Strategy

C Distribution

ATO Shanghai recommends U.S. food exporters strive to use only the market's leading distributors, and to seek listings with more than one distributor, as none cover the whole Chinese market.

C Representation

After securing effective distribution, U.S. food product exporters may seek a local representative for their product(s). Representatives can introduce product(s) to new customers, build relationships helpful to importation, and ensure that distributors maintain their products well and promote them positively.

C Promotion

U.S. food product exporters and/or their representative(s) should participate in activities which advance buyers' knowledge about and inclination toward their products. Effective activities include food service expos and trade shows, U.S. product promotions with end users, and specific product promotions within the HRI sector. These activities can provide brand recognition and increased sales.

C Professional Affiliations

As Shanghai's international business community grows, so do the number of social/professional organizations. U.S. food product exporters are encouraged to join the Shanghai American Chamber of Commerce and the Shanghai International Chefs Association. Affiliation with these groups provides an excellent informal opportunity to foster critical business relationships. U.S. food product exporters are also encouraged to provide informational seminars and tastings to Chinese associations.

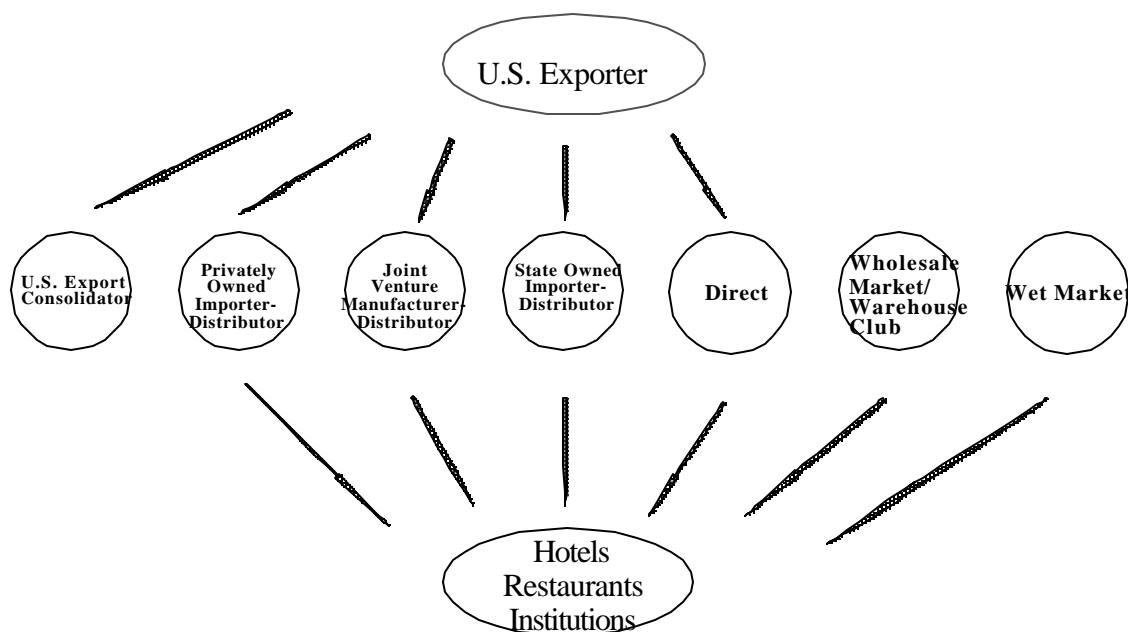
C Hosting

End users and distributors occasionally have the opportunity to visit the United States. U.S. food product exporters should invite these guests to their production facilities, brief them on business activities, and host a special function in their honor.

C Integration

The ultimate goal for U.S. food products entering China's market is to become part of Chinese cuisine. As the majority of people in China prefer Chinese food, it is important to develop Chinese menus which incorporate U.S. ingredients. Seek to appeal to Chinese tastes.

B. Market Structure



Hotels in the Shanghai area purchase food products through four main channels; privately-owned importer-distributors, wet markets, joint venture (JV) manufacturer-distributors, and/or direct importation. It is important to note that state-run operations also rely heavily upon state-owned importer-distributors. Privately-owned importer-distributors are the major suppliers of meats, seafood, condiments, imported beverages, and specialty produce. Most of the privately-owned importer-distributors mainly purchase from American consolidators, because demand from each hotel varies depending on its western chef's preference, and only a combined container can best serve these varied requests. Hotels also use wet markets to buy fresh produce. It is estimated that the vast majority of food products are obtained through these two channels. Direct importation is not as common, and normally handled through the hotel's parent company, if there is one.

The main suppliers to restaurants are; state-owned importer-distributors, privately-owned importer-distributors, wet markets, JV manufacturer-distributors, wholesalers and/or warehouse clubs. It is understandable that state-run traditional restaurants rely more on the state-owned importer-distributors, while privately-owned restaurants and foreign restaurants are likely to purchase from privately-owned importer/distributors. In any case, wet markets, JV manufacturer-distributors, wholesalers and/or warehouse clubs are utilized by all restaurants.

With approximately 27,000 eateries in town, restaurant business in Shanghai is highly competitive, leading to the widespread implementation of cost cutting measures in the last few years. JV manufacturer-distributors, such as Hormel, Purdue, and Budweiser, hope to gain the most as they tend to produce high quality products at lower than import prices. It is important to note that franchise operations are often required to purchase food products through a U.S. consolidator selected by the franchiser. Thus, exporters interested in selling to franchises should contact their franchise headquarters and follow the appropriate procedures.

State-run institutional segment outlets, such as staff canteens and student cafeterias, mainly purchase through state-owned importer-distributors, wet markets, wholesalers and/or warehouse clubs. A large amount of imported products available in wholesale and wet markets, such as poultry and offal, actually find their way through the grey channel from Hong Kong via Guangdong Province. Meanwhile, privately-owned importer-distributors still play an important role in supplying airline caterers and the hundreds of Shanghai bars.

It is also important to note that China so far lacks national distribution companies catering to the food service market. As a result, one restaurant has to deal with numerous suppliers: poultry from one supplier, pork from another, fish from yet another, and the list goes on.

Privately-owned importer/distributors represent the most important channel for American exporters. They are the major suppliers of imported meats, seafood, condiments, beverages, dairy products, and specialty produce. Driven by a strong incentive to make profits, these companies are enthusiastic about introducing new products that can meet their customers' needs. Another advantage is their access to luxury hotels, foreign and Chinese restaurants. The potential reach of these companies is considerable, and the right product might find a very broad market.

C. Sub-Sector Profiles

1. Hotels and Resorts

Company Profiles

Name of Hotel Group	Food Revs. (1998)	No. of Hotels	Purchasing Agent
New Asia Group	USD66.2 million	22	Direct Import, Wholesaler, Distributor
Jin Jiang Group	USD32.5 million	9	Direct Import, Distributor, Wholesaler
Hua Ting Group	USD27.7 million	9	Direct Import, Distributor Wholesaler
Hengshan Group	USD5.4 million	6	Wholesaler, Distributor
Dong Hu Group	USD3 million	3	Wholesaler, Distributor

Hotel food service market share of the HRI sector is shrinking, however luxury hotels remain the leading buyers of imported products. Two factors account for their decreasing market share: first is the influence of the Asian financial crisis and slow-down of China's own economy; second is the fierce competition from the standalone restaurant sub-sector, which now offers fine dining at a much lower price. However, hotels still have their own market niche: a perfect venue to hold the ubiquitous high-level banquet, not to mention business receptions,

seminars, and conferences. Furthermore, as Shanghai returns to international prominence, the current over-supply of five star hotels will not be a long-term concern. For example, when the Fortune 500 Forum was held in Shanghai in September, 1999, nearly every high-end hotel in town was full for the first time in many years. Another good example is the opening of Grand Hyatt, which created a sensation in the local market for its unique location (the top 36 floors of the 88 storey Jin Mao Tower - the tallest building in China) and post-modern styling. Their restaurants, located on the 87th, 56th, and 55th floors, attract not only overseas tourists but also the local upscale clientele.

According to official statistics, the local state-run hotel groups have traditionally dominated the Shanghai market, because they usually have several outlets in the same city. However, during the past five years, several international hotel chains have arrived in Shanghai, including: Ritz-Carlton, Hilton, Garden (Okura Group), Holiday Inn & Crown Plaza, Sofitel, Regal, Equatorial, Westin, and Shangri-La. These hotels' revenues have already surpassed the smaller state-run hotel groups like Hengshan and Donghu, and the 11 year old Shanghai Hilton's revenues were number one among all Shanghai single hotel operations in 1997. Nationwide, the top international hotel groups include Holiday Inn (24), Shangri-La (13), Sheraton (12), Marriot (9 including 5 newly-purchased New World), and Accor (9).¹

While it is true that the local hotel chains use more local or JV products to cut costs, the luxury hotels still need to purchase a certain amount of imported products to preserve status. U.S. food products with great demand or potential include specialty produce (strawberries, blueberries, cherry tomatoes, celery, varieties of lettuce, oranges, grapes), beef (steaks, ribs, cuts), wine, and seafood (lobster, salmon, crab, geoduck).

2. Restaurants

Family Style Company Profiles²

Company Name	Market Share	Sales (Year) Unit: Million	No. of Outlets	Purchasing Agent
Xinghualou Group	12%	USD57.9	40	Import Agent, Wholesaler
Xiaoshaoxing Group	6.4%	USD31.3	24	Import Agent, Wholesaler
Meilongzheng Group	4.6%	USD22.3	20	Wholesaler, Distributor, Wet market
Baolong Group	3.4%	USD16.7	30	Wholesaler, Distributor, Wet market
Kai Fu Company	2.3%	USD11	30	Wholesaler, Distributor, Wet market

The restaurant sub-sector continues to be the HRI leader in Shanghai, with about two thirds of HRI market share. Annual revenues of family-style restaurants alone reached approximately USD480 million in 1998, accounting for nearly half of total restaurant sales. This sub-sector is expected to grow 10% next year.

According to the official figures, the top five family-style companies used to be district catering service companies, which were a monopoly under the planned economy. For example, Xinghualou and Meilongzhen consist of all the

¹ The figures refer to the number of hotels that the hotel group have opened or will open within 2000. They are not official figures: for reference only.

² The family style restaurant groups also run a certain percentage of dim sum stores.

traditional restaurants from Shanghai's Huangpu and Jing'an districts, respectively. Each restaurant is usually famous for one style of cuisine, like Sichuan or Yangzhou. However, with few exceptions, the market share is declining for this type of state-run restaurant. American products with potential include: beef (short plate, offal, short rib), poultry offal, seafood (squid, lobster, salmon), and vegetables (fresh celery, frozen sweet corn and peas).

The Restaurant sub-sector was among one of first sectors of the economy opened to private investment during the last decade of reform. As a result, the number of privately-operated restaurants in Shanghai may have already exceeded that of state-run traditional restaurants. Though no official figures are available, we believe the sales of the following privately-owned restaurant chains are on par with the above mentioned state-run catering group: The Gap Cafe, Xiaonanguo Restaurant, Jin Yue Seafood Restaurant, Red Chicken Restaurant, Zhen Xing Seafood Restaurant, and Shenji Liangtang Restaurant. These privately-owned restaurants are the fastest growing part of the restaurant sub-sector. Unlike traditional Chinese restaurants which feature only one style, they embrace a cornucopia of all popular dishes, namely Shanghai-style, all in a trendy atmosphere. Privately-owned restaurants are beginning to incorporate a greater number of new Western ingredients and dishes. The products with the greatest demand and /or potential include beef (steaks, short plate, short ribs, offal), California wine, seafood (squid, lobster, salmon, sea cucumber, geoduck, crab), fruit (table grapes & oranges), and vegetables (fresh celery, frozen sweet corn, frozen peas).

With more than 20,000 expatriates in town, foreign restaurants are also flourishing. It is estimated that there are around 100 foreign style restaurants in Shanghai offering a large variety of cuisine ranging from American, Mexican, Italian, German, Korean, Japanese and Thai to even Cajun/Creole. Shanghai's foreign restaurants currently include a well known list of international chains such as T.G.I. Friday, Tony Roma's, Paulaner Brauhaus, Swensen's, and Hard Rock Café as well as a wide variety of new single proprietorships. Foreign restaurants in Shanghai not only attract expatriates and tourists, but also high-income local consumers seeking something new. As Western-style restaurants are generally more receptive to using imported food products than traditional Chinese restaurants, they are excellent targets for U.S. exporters. They are major consumers of imported beef, seafood, seasoning, speciality produce, and herbs.

Fast Food Company Profiles

Company Name ¹	Market share	Sales (1998) Unit: Million	No. of Outlets	Nationality	Purchasing Agent
KFC	28%	USD69.5	52 (1998)	U.S./China	Import & Local Distributor
McDonald's	15%	USD36.1	23 (1998)	U.S.	Import & Local Distributor
New Asia Big Bun ²	5%	USD12	30 (1998)	China	Local Wholesaler
Pizza Hut	2.6%	USD4.4	7 (1998)	U.S.	Import & Local Distributor

¹ The number McDonald's and KFC outlets refers only to their Shanghai operations.

² New Asia Big Bun plans to have 80 stores by the end of 1999.

Niwota	2%	USD4.7	23 (1998)	China	Local Wholesaler
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KFC essentially introduced western-style fast food to Shanghai about a decade ago, and the size of the fast food market is now almost half that of the family-style restaurants. Future growth is estimated at 10%-15% annually, as more people turn to fast food restaurants as a convenient alternative to preparing meals at home.

American fast food chains, such as KFC and McDonald's, are the market leaders. After more than 10 years operation in China, they continue to gain ground as popularity among Chinese for American fast food increases. Chains like KFC and McDonald's are major consumers of French fries, corn-on-the-cob, and frozen sweet corn. With only 7 outlets in Shanghai, Pizza Hut still occupies a significant market share by catering to young couples. Pizza Hut uses American cheese and seasonings, but sources its meat locally.

Chinese fast food chains such as New Asia Big Bun are catching up. However, they are still not competitive with their American counterparts. The main reason is that most of the Chinese fast food restaurants lack food preparation standards and systematic management.

Presently, food courts offering dim sum-style fast food can be found in almost every downtown Shanghai department store. The stores usually rent the space to small catering companies, and food quality varies considerably from booth to booth. However, the Chinese fast food sector has little demand for American food products as imported food costs would generally be too expensive for the targeted market. French fries and corn-on-the-cob have some potential in Chinese fast food operations which feature western menu items.

3. Institutional

The average Shanghaiese student or state employee eats at least one third of their meals in the institutional sub-sector. The total 1998 revenues for the institutional sub-sector is estimated at USD518 million. However, a critical problem is that a large percentage of institutional sub-sector operations are not considered part of the food service industry, because the majority of operations are managed by state-run enterprises, schools, government offices, and even the military. There are about 10,000 staff canteens in Shanghai designed to serve as convenient, inexpensive outlets for acceptably-low quality food. A normal canteen lunch costs between USD0.36 and USD0.97. Menus for most canteens tend to be very simple, center around traditional Chinese flavors, and to comprise the cheapest food inputs (from wet and wholesale markets) possible. As state-sector unemployment rises, a vast number of staff canteens are torn down.

There are also some catering companies which offer lunch boxes, the popular local jargon for a Styrofoam box that contains rice and a combination of stir-fried meat and vegetable dishes. The lunch box market in Shanghai is estimated at 600,000 to 800,000 served per day. Prices range from a basic USD0.60 meal to a "fancy" USD1.81 "feast." Lunch box customers include high school students, JV company employees, and Chinese employees in foreign organizations. There are few large professional, institutional catering companies in Shanghai, and food quality and sanitation problems have been reported with these companies.

Chinese food products are clearly dominant in the institutional sub-sector, however, some low price foreign products have recently entered the scene. For example, American frozen chicken products (wing tips, offal, and feet) are used by the catering companies. Few lunch box customers realize that they are eating imported food. Other frozen U.S. products include pork offal, beef offal, sweet corn, and peas. Low cost frozen food is a perfect

match for the institutional sector which requires a high volume and long storage period.

Another component of the institutional sub-sector is airline catering. The two major airline catering companies in Shanghai are the Shanghai Airport International Catering Corporation (SAIC) and China Eastern Airlines Food Service Company (CEAFSC). SAIC prepares approximately 2,000 meals each day for 17 major airlines, among which Northwest Airlines is currently using U.S. beef and wine, while Shanghai Air has recently started using U.S. pistachios on their domestic flights. CEAFSC, which serves roughly 30 carriers, concurs with SAIC and believes that the greatest opportunities for U.S. food products exist with international carriers. Purchasing Manager, Zhang Suiseng reports that they currently use about USD2.4 million worth of foreign food products annually. Thus, U.S. food exporters could expand their foothold by aggressively marketing to the two airline caterers and to their key suppliers. With Shanghai's recently opened Pudong International Airport, opportunities for food exporters are expected to grow.

The entertainment segment, which belongs to the institutional sub-sector, had 1998 revenues of USD325 million, an increase of 80% over 1997, according to the Shanghai Statistics Bureau. Food sales represent about 20% of total revenues. American wine, spirits, popcorn and nuts are popular among Karaoke bars.

III. Competition

Chinese domestic food is no doubt the largest competitor for U.S. food products. As the chart on the first page of this report indicates, domestic food products enjoy 92% of the market share. Chinese food products dominate the market for three major reasons: First, domestic food products are generally much cheaper than imported products; Second, consumers are more familiar with these products and chefs know the best way to cook and serve them; Third, the local supply is generally sufficient for most food categories.

An interesting phenomenon is the increasing use by the HRI sector of imported U.S. agricultural technology and JV manufacturers. HRI buyers enthusiastically tout that they are using products like U.S. sweet corn, Hormel ham, Budweiser beer, and/or American celery. What they fail to mention is that these are actually locally produced products. Many Shanghainese even believe that they are eating foreign food when consuming these products. Shanghai's *Wen Hui Daily* newspaper reports that JV food and beverage products' popularity has surpassed similar domestic brand products.

Many foreign competitors are also already selling to China, heightening the competition for American exporters. Most of these countries do not possess a large domestic market, which makes China an important market for them. Many countries provide substantial government and industry association support. For example the Netherlands, Australia, and Canada each have an Agricultural Trade Officer posted in their Shanghai Consulates. Also, the Norwegian Seafood Export Council, French Wine Association, Canada Beef Export Federation, and SOPEXA are among the most active foreign organizations operating in China.

The greatest challenge faced by American exporters is generally posed by their western (European and Australian) counterparts, who offer similar products at relatively cheaper prices. Taking advantage of the consumer's ignorance of imported food, some HRI operators are doing what a Chinese idiom calls, "displaying a sheep's head and selling dog meat." For example, one restaurant sold steak from New Zealand and claimed it to be American beef. This not only hurts U.S. exports but also damages U.S. food's image.

IV. Best Product Prospects

A. Products Present in the Market Which Have Good Sales Potential

1. Meat Products (beef, bovine offal, pork, swine offal, poultry, and poultry offal)

At present, U.S. meat products still cannot be imported commercially through official channels except for use by foreign hotels. However, progress was made in April, 1999 when the Agreement on U.S.-China Agricultural Cooperation was signed during China's Premier Zhu Rongji visit to America. On Nov. 15, 1999, China and the US signed a bilateral agreement on China's accession to WTO, which also covers agricultural products. According to the agreement, China will open its market to U.S. pork, beef and poultry by agreeing to accept USDA meat safety certification. High tariffs, which also hinder the direct importation of these products, are expected to be reduced by 2004: beef from 45% to 12%, pork and poultry from 20% to 12%. However, implementation of this agreement will take time as the Chinese government must change its entry and inspection procedures to reflect the new rules.

Beef & Bovine Offal

American beef is somewhat of a status symbol in Asia, but still has a limited market in China. The main customers are the luxury hotels, as western-style steak houses have not yet caught on here. Frozen chuck and short plate are widely used in traditional Chinese hot-pot. Bovine offal like omasum is used in a popular Chinese cold dish. U.S. Meat Export Federation this year is successfully promoting medium-priced short rib in Chinese restaurants. However, U.S. beef faces fierce competition from domestic/JV products, and also imported products from countries like Canada, Australia, and New Zealand.

Poultry and offal

The number one U.S. export (via Hong Kong) to China is poultry. The secret is simple: those chicken drumsticks, wings, paws and gizzards, seldom found on American plates, happen to be Chinese delicacies. U.S. chicken, duck and turkey cuts are among the few items whose price is even cheaper than the local products. Factors like a stable supply and consistent quality have contributed to the success of U.S. poultry in China. However, aggressive South American and European exporters are also seeking market share.

2. Seafood

Shanghaians used to prefer only fresh water fish. Influenced by the Cantonese, seafood is now gaining in popularity. Cantonese restaurants generally specialize in seafood, and usually have live fish in tanks so that the customer can select their dinner. It is commonly held in China that live fish is more delicious and nutritious than frozen seafood. Norwegian salmon and Australian lobster were introduced several years ago and dominate some segments of the market. American seafood such as salmon, squid, black cod, lobster, geoduck, and king crab are gaining a foothold. Tariffs are expected to drop from 20% to 10% by 2004.

3. Wine and Distilled Spirits

Business banquets in China, especially in the Northern, are usually accompanied by a drinking spree. However, wine is replacing traditional white spirits, because it is considered to be more healthy. Besides luxury hotels and trendy family restaurants, Karaoke bars are also an important outlet for Californian wine. In bars and night clubs, American distilled spirits like Jack Daniels and Jim Beam are quite popular. Tariffs are expected to drop from 65% to 20% for wine, and 65% to 10% for spirits by 2004.

4. Frozen Vegetables

Frozen vegetables such as sweet corn and peas are easily integrated into common Chinese dishes like sweet corn soup and fried shrimp with green peas. Competition comes from domestic and New Zealand products.

5. Fruit

The most popular U.S. fruit for food service are Sunkist citrus and California table grapes. However, only three types of American fruit can be officially imported from the U.S.: Washington apples, California table grapes and Washington cherries. To waive the phytosanitary barrier and high tariff, a large amount of fruit is imported through the grey channel via Hong Kong. Upon accession to WTO, China is expected to open its market to U.S. oranges, grapefruit and other citrus, eliminating a ban on citrus from Arizona, California, Florida, and Texas. The current tariff of 30%-40% is to be reduced to 10-13% by 2004, depending on the product. Since U.S. fruit has gained a good reputation for high quality, it is common to find fruit from other countries claiming to be American, thus violating the interests of American exporters.

6. French Fries

KFC first introduced french fries to Chinese consumers about 10 years ago. Since then, french fries have become wildly popular in fast food chains and are also found in bars, modern tea houses, and theme parks.

B. Products Not Present in Significant Quantities But Which Have Good Sales Potential

1. Fresh Vegetables

Though China is a larger net producer of vegetables, American fresh produce is considered to be of a higher quality. For example American celery, carrots, lettuce, and cherry tomatoes are all generally perceived to be superior to China's domestic ones. With the further development of the "fine dining" segment in Shanghai and other major cities, American vegetables have good potential.

2. Condiments, Seasonings, and Sauces

Condiments, seasonings, and sauces used by Western-style restaurant are largely imported due to lack of local availability. As Western food gains in popularity, so do these ingredients. A broad range of ingredients are now available in China, ranging from ketchup, mustard, mayonnaise, and BBQ sauce to a variety of spices. With the increase of Western restaurants, the condiments, seasonings, and sauces market should provide increased opportunities for US exporters.

3. Dry nuts

American nuts sell well as a snack food in supermarkets and in the entertainment sector. Chinese appetizers consisting of several cold dishes, peanuts, cashews, and walnuts are also popular in restaurants. Nuts can even be incorporated into main dishes. For example, Macadamia nuts can be fried together with other nuts. Nuts can also be used in the bakery sector. American almonds have been used in Chinese moon cakes.

4. Dried Fruits

U.S. raisins and prunes are beginning to be widely used for Chinese dim sum and Western-style baking.

C. Products Not Present Because They Face Significant Barriers

Rice is considered a strategic crop in China, and it is generally banned for import. The little imported rice which trickles in is generally intended for niche markets. Specialty foods such as ethnic or religious foods (Kosher, Halal) do not have a significant market here.

V. Post Contact

If you have any questions or comments regarding this report or need assistance exporting to China, please contact

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